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**SETTLEMENT ANNOUNCED IN GULF
2005 STORM RECOVERY COSTS**

FOR IMMEDIATE RELEASE

Tallahassee, May 15—Florida Public Counsel Harold McLean announced today that his office and other consumer representative organizations including the AARP, the Florida Industrial Power User's Group and the Florida Retail Federation, have reached an agreement with Gulf Power regarding the company's proposal to recover more than \$140.4 million, plus interest, from customers over eight years in connection with \$87.2 million in storm-recovery bonds the Company requested authority to issue. In February, Gulf had filed a proposal with the Florida Public Service Commission that the bonds be issued to cover \$137.8 million in storm recovery costs incurred by the company for Hurricanes Ivan, Dennis and Katrina, a replenishment of \$70 million to the company's reserve for future storm costs and approximately \$2.6 million in up-front bond issuance costs. Under the company's original proposal, the storm-recovery bonds would be issued in August 2006 and would be repaid by customers with interest over eight years. In a stipulation that will be presented to the FPSC for approval, Public Counsel, the AARP, the Florida Industrial Power User's Group, the Florida Retail Federation and Gulf agreed that in lieu of issuing storm-recovery bonds, the company would continue its current storm surcharge. The current storm surcharge of approximately \$2.57 per month per average residential customer, as well as proportional surcharges to larger customers, would continue through the end of June 2009 rather than expire at the end of March 2007 as originally planned. The company also agreed to a limit on future requests for interim surcharges. Under the agreement, the company would only be entitled to an interim surcharge if it has suffered more than \$10 million in storm related costs in a single calendar year.

Gulf incurred more than \$200 million in costs for restoration efforts related to the three storms. Gulf's total losses from the storm were reduced to approximately \$159 million through insurance and available storm reserves. This stipulation and a previous stipulation regarding Hurricane Ivan will mean that the current storm surcharge as extended will only cover a portion of the total costs with more than \$54 million of storm restoration costs excluded from recovery through the current storm surcharge.

"Gulf Power did an admirable job in restoring power to the citizens of the Panhandle. Our stipulation is designed to appropriately share the risks and costs of catastrophic storm

damage between Gulf Power Company and its customers, and avoid the up front costs and extended interest obligation associated with the proposed storm-recovery bonds” McLean said.

As a result of the settlement agreement being filed with the FPSC late last week, the FPSC has cancelled a prehearing conference and as well as service hearings previously scheduled to receive customer comment regarding Gulf’s proposal as filed last February. The cancelled service hearings were scheduled for May 17 and 18 in Pensacola and May 23 in Panama City.